華南城

China South City Holdings Limited
華南城控股有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 1668)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2010

Financial Highlights for the year ended 31 March

	2010	2009	**Approximate**
	HK$'000	*HK$'000*	**Change %**
Revenue	**1,570,229**	224,399	+ 600%
Gross profit	**982,707**	70,759	+1,289%
Profit for the year	**1,327,646**	753,570	+ 76%
Net profit/(loss) excluding fair value gains on investment properties and related tax effect	**408,745**	(106,512)	+ 484%
Operating cash inflow	**894,190**	71,847	+1,145%
Net assets value	**9,026,685**	4,495,958	+ 101%
Gearing ratio	**6%**	51%	– 89%
Proposed final dividend (per share)	**HK2 cents**	—	—

CONSOLIDATED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2010

The Board is pleased to announce the audited consolidated annual results of the Group for the year ended 31 March 2010 together with the comparative figures for the previous financial year as follows:

CONSOLIDATED INCOME STATEMENT

		For the year ended 31 March	
		2010	2009
	Notes	***HK$'000***	*HK$'000*
REVENUE	4	**1,570,229**	224,399
Cost of sales		**(587,522)**	(153,640)
Gross profit		**982,707**	70,759
Other income and gains	4	**150,434**	19,077
Fair value gains on investment properties	4	**1,308,543**	1,153,903
Selling and distribution costs		**(83,573)**	(89,531)
Administrative expenses		**(187,696)**	(109,249)
Other expenses		**(25,427)**	(13,188)
Finance costs	6	**(32,982)**	(6,824)
Share of profits and losses of:			
Jointly-controlled entities		**1,287**	1,120
An associate		**(302)**	(327)
PROFIT BEFORE TAX	5	**2,112,991**	1,025,740
Income tax expense	7	**(785,345)**	(272,170)
PROFIT FOR THE YEAR		**1,327,646**	753,570
Attributable to:			
Owners of the parent		**1,329,593**	754,048
Minority interests		**(1,947)**	(478)
		1,327,646	753,570
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	9	**HK25.32 cents**	HK16.76 cents
Diluted	9	**HK25.10 cents**	HK16.76 cents

Details of the dividend proposed for the year are disclosed in note 8.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 March 2010

	For the year ended 31 March	
	2010	2009
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**1,327,646**	753,570
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**19,072**	93,249
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,346,718**	846,819
Attributable to:		
Owners of the parent	**1,348,565**	846,596
Minority interests	**(1,847)**	223
	1,346,718	846,819

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**157,684**	260,302
Investment properties		**9,077,250**	6,543,757
Properties under development		**1,978,789**	1,404,571
Prepaid land premiums		**6,911**	7,051
Goodwill		**20,066**	20,066
Interests in jointly-controlled entities		**8,980**	5,740
Interests in associates		**(803)**	(1,106)
Loan receivables		**625**	4,414
Finance lease receivables		**54,250**	65,952
Deposits paid for purchase of land		**—**	74,663
Deferred tax assets		**75,413**	12,599
Total non-current assets		**11,379,165**	8,398,009
CURRENT ASSETS			
Properties held for finance lease		**96,116**	101,743
Properties held for sale		**677,346**	481,821
Trade receivables	10	**234,155**	25,530
Prepayments, deposits and other receivables		**86,077**	68,128
Held for trading investments at fair value through profit or loss		**123,932**	—
Cash and cash equivalents		**3,702,977**	246,084
Total current assets		**4,920,603**	923,306
CURRENT LIABILITIES			
Bills payable		**—**	237,332
Other payables, accruals and deposits received	11	**824,459**	777,966
Interest-bearing bank borrowings		**1,558,417**	470,652
Tax payable		**470,832**	79,695
Total current liabilities		**2,853,708**	1,565,645
NET CURRENT ASSETS/(LIABILITIES)		**2,066,895**	(642,339)
TOTAL ASSETS LESS CURRENT LIABILITIES		**13,446,060**	7,755,670

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 March 2010

	Notes	**2010** **HK$'000**	2009 *HK$'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**2,644,308**	898,774
Interest-bearing notes		—	915,790
Deferred tax liabilities		**1,775,067**	1,359,348
Due to shareholders		—	85,800
Total non-current liabilities		**4,419,375**	3,259,712
Net assets		**9,026,685**	4,495,958
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**60,000**	200
Reserves		**8,733,433**	4,461,763
Proposed final dividends	8	**119,591**	—
		8,913,024	4,461,963
Minority interests		**113,661**	33,995
Total equity		**9,026,685**	4,495,958

Notes:

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and held for trading investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

2. IMPACT OF NEW AND REVISED HKFRSs (WHICH ALSO INCLUDE HKASs AND INTERPRETATIONS)

2.1 The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised HKFRSs has had no significant effect on these financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 *Revenue — Determining whether an entity is acting as a principal or as an agent*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation*
HK(IFRIC) — Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC) — Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement — Embedded Derivatives*
HK(IFRIC) — Int 13	*Customer Loyalty Programmes*
HK(IFRIC) — Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC) — Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC) — Int 18	*Transfers of Assets from Customers* (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)	Amendments to a number of HKFRSs

* Included in *Improvements to HKFRSs 2009* (as issued in May 2009).

2.2 Changes in Accounting Policy and Disclosures

Other than as further explained below regarding the impact of HKAS 1 (Revised), HKFRS 8 and the Improvements to HKFRSs (October 2008), the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

(a) HKAS 1 (Revised) *Presentation of Financial Statements*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

(b) HKFRS 8 *Operating Segments*

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14. These revised disclosures, including the related revised comparative information, are shown in note 3 of this results announcement.

(c) HKAS 40 *Investment Property*

HKAS 40 has been amended to include within its scope properties under construction or development for future use as investment properties and to require such properties to be measured at fair value (where the fair value is reliably measured). The directors of the Company determined that the portion for lease of properties under construction has not been finalised up to the reporting date and these properties are measured at cost less impairment as properties under development as at 31 March 2010.

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*[1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Additional Exemptions for First-time Adopters*[2]
HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*[4]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Group Cash-settled Share-based Payment Transactions*[2]
HKFRS 3 (Revised)	*Business Combinations*[1]
HKFRS 9	*Financial Instruments*[6]
HKAS 24 (Revised)	*Related Party Disclosures*[5]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[1]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation — Classification of Rights Issues*[3]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items*[1]
HK(IFRIC) — Int 14 Amendments	Amendments to HK(IFRIC) — Int 14 Prepayments of a *Minimum Funding Requirement*[5]
HK(IFRIC) — Int 17	*Distributions of Non-cash Assets to Owners*[1]
HK(IFRIC) — Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[4]
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations — Plan to sell the controlling interest in a subsidiary*[1]
HK Interpretation 4 (Revised in December 2009)	*Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases*[2]

Apart from the above, the HKICPA has issued Improvements to HKFRSs 2009 and Improvements to HKFRSs 2010 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC) — Int 9 and HK(IFRIC) — Int 16 are effective for annual periods beginning on or after 1 July 2009, the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 while the amendments HKFRS 7, HKAS 1, HKAS 34 and HK(IFRS) — Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard or interpretation.

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2010
3 Effective for annual periods beginning on or after 1 February 2010
4 Effective for annual periods beginning on or after 1 July 2010
5 Effective for annual periods beginning on or after 1 January 2011
6 Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. OPERATING SEGMENT INFORMATION

	Property development *HK$'000*	Property investment *HK$'000*	Property management *HK$'000*	Hotel operation *HK$'000*	Others *HK$'000*	Total *HK$'000*
For the year ended 31 March 2010						
Segment revenue:						
Sales to external customers	1,419,353	101,277	24,523	22,930	2,146	1,570,229
Intersegment sales	—	—	—	4,994	—	4,994
	1,419,353	101,277	24,523	27,924	2,146	1,575,223
Elimination of intersegment sales						(4,994)
Revenue						1,570,229
Segment results before increase in fair value of investment properties	991,400	30,126	(24,656)	(16,309)	2,146	982,707
Increase in fair value of investment properties	—	1,308,543	—	—	—	1,308,543
Segment results after increase in fair value of investment properties	991,400	1,338,669	(24,656)	(16,309)	2,146	2,291,250
Interest income						6,449
Unallocated income						143,985
Unallocated expense						(296,696)
Finance costs						(32,982)
Share of profits and losses of jointly-controlled entities						1,287
Share of loss of an associate						(302)
Profit before tax						2,112,991
Segment assets	1,139,450	11,065,178	2,666	75,828	1,278	12,284,400
Reconciliation:						
Interests in jointly-controlled entities						8,980
Interests in associates						(803)
Unallocated assets						4,007,191
Total assets						16,299,768
Segment liabilities	22,505	2,261,885	6,197	7	5,268	2,295,862
Reconciliation:						
Unallocated liabilities						4,977,221
Total liabilities						7,273,083
Other segment information:						
Depreciation and amortisation	—	254	645	18,852	216	19,967
Corporate and other unallocated amounts						17,327
						37,294
Increase in fair value of investment properties	—	1,308,543	—	—	—	1,308,543

	Property development HK$'000	Property investment HK$'000	Property management HK$'000	Hotel operation HK$'000	Others HK$'000	Total HK$'000
For the year ended 31 March 2009						
Segment revenue:						
Sales to external customers	77,671	100,167	20,426	25,505	630	224,399
Intersegment sales	—	—	—	3,737	—	3,737
	77,671	100,167	20,426	29,242	630	228,136
Elimination of intersegment sales						(3,737)
Revenue						224,399
Segment results before increase in fair value of investment properties	51,332	30,526	2,406	(14,135)	630	70,759
Increase in fair value of investment properties	—	1,153,903	—	—	—	1,153,903
Segment results after increase in fair value of investment properties	51,332	1,184,429	2,406	(14,135)	630	1,224,662
Interest income						10,664
Unallocated income						8,413
Unallocated expense						(211,968)
Finance costs						(6,824)
Share of profits and losses of jointly-controlled entities						1,120
Share of loss of an associate						(327)
Profit before tax						1,025,740
Segment assets	670,578	8,029,987	477	94,158	671	8,795,871
Reconciliation:						
Interests in jointly-controlled entities						5,740
Interest in an associate						(1,106)
Unallocated assets						520,810
Total assets						9,321,315
Segment liabilities	183,480	1,421,028	442	—	926	1,605,876
Reconciliation:						
Unallocated liabilities						3,219,481
Total liabilities						4,825,357
Other segment information:						
Depreciation and amortisation	—	62	343	21,771	360	22,536
Corporate and other unallocated amounts						14,383
						36,919
Increase in fair value of investment properties	—	1,153,903	—	—	—	1,153,903

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net sales of completed properties, finance lease income, rental income, hotel income and income from the provision of property management services and other fee income, net of business tax.

An analysis of revenue, other income and gains is as follows:

	For the year ended 31 March	
	2010	2009
	HK$'000	*HK$'000*
Revenue		
Sale of properties	**1,408,108**	67,758
Finance lease income	**11,245**	9,913
Rental income	**101,277**	100,167
Hotel income	**22,930**	25,505
Property management service income	**24,523**	20,426
Other fee income	**2,146**	630
	1,570,229	224,399
Other income		
Interest income from:		
Banks	**1,049**	2,860
Loan receivables	**5,400**	7,804
Others	**4,646**	8,413
	11,095	19,077
Gains		
Fair value gains on investment properties	**1,308,543**	1,153,903
Fair value gains on held for trading investments at fair value through profit or loss	**2,630**	—
Gain on restructure and buying back of interest-bearing notes	**136,709**	—
	1,447,882	1,153,903
	1,458,977	1,172,980

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the year ended 31 March	
	2010	2009
	HK$'000	*HK$'000*
Cost of properties sold	**422,031**	21,333
Cost of properties under finance lease	**5,922**	5,006
Cost of service provided	**159,569**	127,301
Depreciation	**37,355**	37,352
Less: Depreciation capitalised in respect of properties under development	**(61)**	(433)
	37,294	36,919
Amortisation of prepaid land premiums	**162**	262
Minimum lease payments under operating leases in respect of land and buildings and vehicles	**7,414**	8,317
Auditors' remuneration	**2,330**	950
Employee benefit expense (including directors' remuneration):		
Wages and salaries*	**109,633**	64,224
Equity-settled share option expense	**3,294**	6,587
Pension scheme contributions	**3,070**	3,508
	115,997	74,319
Foreign exchange differences, net	**(3,931)**	87
Provision for impairment of trade receivables**	**25,468**	—
Written off of trade receivables as uncollectible**	**—**	4,321
(Written back)/impairment of interests in a jointly-controlled entity**	**(41)**	2,037

* Included amounts of HK$7,076,000 and HK$7,072,000 for the years ended 31 March 2010 and 2009 respectively, which were capitalised under properties under development.

** Included in "other expenses" in the consolidated income statement.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the year ended 31 March	
	2010	2009
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years, net	**184,080**	92,066
Interest on the interest-bearing notes	**72,581**	188,269
Less: Interest capitalised	**(223,679)**	(273,511)
Total	**32,982**	6,824

7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year. Major subsidiaries of the Group operate in Shenzhen, Mainland China, which were subject to the PRC corporate income tax rates of 22% and 20% for the years ended 31 March 2010 and 2009, respectively.

During the 5th session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law was approved. It became effective on 1 January 2008. The PRC Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of income tax rates for domestic-invested and foreign-invested enterprises at 25%. Accordingly, the deferred taxes as at 31 March 2010 and 2009 have been provided at the enacted corporate tax rates.

The PRC land appreciation tax ("LAT") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures. Amounts of LAT of HK$269,619,000 and HK$17,713,000 were charged to the consolidated income statements for the years ended 31 March 2010 and 2009, respectively.

The major components of income tax expense for the year are as follows:

	For the year ended 31 March	
	2010	2009
	HK$'000	*HK$'000*
Current — Mainland China corporate income tax	**170,243**	22,500
Current — LAT in Mainland China	**269,619**	17,713
Deferred	**345,483**	231,957
Total tax charge for the year	**785,345**	272,170

8. DIVIDENDS

	For the year ended 31 March	
	2010	2009
	HK$'000	*HK$'000*
Proposed final dividends — HK2 cents per ordinary share	**119,591**	—

The proposed final dividend for the year is calculated based on the number of outstanding issued shares at the date of approval of the financial statements, taking into consideration of the 20,436,000 shares cancelled on 22 June 2010. The proposed final dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 5,252,054,795 in issue during the year, as adjusted to reflect the capitalization issue during the year.

The calculation of diluted earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	For the year ended 31 March	
	2010	2009
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:	**1,329,593**	754,048

	Number of Shares	
	2010	2009
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**5,252,054,795**	4,500,000,000
Effect of dilution — weighted average number of ordinary shares:		
Share options	**45,957,447**	—
	5,298,012,242	4,500,000,000

10. TRADE RECEIVABLES

	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**259,667**	25,530
Impairment	**(25,512)**	—
	234,155	25,530

Trade receivables represent rentals receivable from tenants, sales income and service income receivables from customers which are payable on presentation of invoices or in accordance with the terms of the related sales and purchase agreements. Overdue balances are reviewed regularly by senior management. In view of this and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing. The carrying amounts of the trade receivables approximate to their fair values.

An aged analysis of the trade receivables as at the end of the reporting period, based on the payment due date and net of provision, is as follows:

	2010	2009
	HK$'000	*HK$'000*
Current	**86,663**	22,992
1 to 2 months	**34,308**	494
2 to 3 months	**71,774**	681
Over 3 months	**41,410**	1,363
	234,155	25,530

Receivables that were neither past due nor impaired and past due but not impaired relate to a large number of diversified customers for whom there was no recent history of default. The Group has retained the legal ownership of the property sold to purchasers for debtor balances.

The movements in provision for impairment of trade receivables are as follows:

	HK$'000
Carrying amount at 1 April 2009	**—**
Impairment losses recognised	**25,468**
Exchange realignment	**44**
Carrying amount at 31 March 2010	**25,512**

During the year ended 31 March 2009, the Group wrote off trade receivables as uncollectible of HK$4,321,000 directly to the consolidated income statement.

11. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	2010	2009
	HK$'000	*HK$'000*
Other payables	**198,763**	79,288
Receipts in advance	**162,017**	243,473
Rental deposits	**29,904**	16,585
Construction fee and retention payables	**395,735**	419,087
Accruals	**36,585**	11,752
Co-operative deposits	**1,455**	7,781
	824,459	777,966

The other payables are non-interest-bearing.

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of China South City Holdings Limited (the "Company"), I am pleased to present the first annual report of the Company and its subsidiaries (the "Group") since its successful listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 September 2009.

The successful listing of the Company's shares in the Stock Exchange is a milestone to the Company as it demonstrates recognition of the Group's achievement as well as support of the Group's unique business model and prospects for future growth by the international capital market and investors. The listing of the Company also has broadened our shareholder base and enhanced our ability to access a wider source of financing for the Group's rapid growth.

Results and Dividend

The Group recorded an outstanding result in its financial performance for the financial year ended 31 March 2010. The revenue rose significantly by 599.7% to HK$1,570.2 million (2009: HK$224.4 million) while the profit for the year increased by 76.2% to HK$1,327.6 million (2009: HK$753.6 million) as compared to last fiscal year. Basic earnings per share were HK25.32 cents (2009: HK16.76 cents).

The Board proposed a final dividend of HK2 cents per share for the year ended 31 March 2010, subject to shareholders' approval at the forthcoming annual general meeting of the Company.

Market and Operation Review

The economy of China was still negatively impacted by the global financial crisis in the beginning of the year. In response to this overwhelming negative sentiment, the Chinese government launched the RMB4 trillion stimulus package, together with a loose monetary policy and the Chinese economy began to pick up in the second half of 2009. The momentum of recovery of the economy can be recognized by the increase in visitors and vehicle traffic to CSC Shenzhen in the second half of 2009. Upon completion of CSC Shenzhen Phase Two Trade Plaza One and Trade Plaza Two (formerly named as Phase Two Leather and Accessories Trade Center, and Phase Two Textile and Clothing Trade Center) in the fiscal year under review, we have launched the trade center units for lease and for sale. For leasing, we have leased about 25% of the total rentable areas launched by the end of June 2010. In addition, the total occupancy rate of Phase One trade center is about a respectable 82%. During the year under review, the Group has entered into sales contracts and letters of intent for approximately 110,000 square meters of gross floor area of Phase Two trade centers while approximately 98,000 square meters are contracted for and is booked in the income statement for the year under review, which amounted to HK$1,408.1 million, representing a growth of 1,978.1% over last year. This better-than-expected operating performance is a powerful testament to the success of the Group's business model and a huge boost to us to push ahead with the new projects that are underway.

Last year, the Group made a remarkable progress in new projects development to replicate the unique and proven business model to develop and operate large-scale integrated logistics and trade centers of China South City across China. In June 2009, we obtained a parcel of land of approximately 487,000 square meters in Heyuan. In October and December 2009, the Group successfully acquired the first batches of land, measuring approximately 890,000 square meters and 1.05 million square meters in Nanning and Nanchang respectively. Construction of projects in Heyuan, Nanning and Nanchang have already been commenced. In addition, we entered into an agreement to form a joint venture in November 2009 to bring in an operating partner, Xin Hao Da (Hong Kong) Holding Co. Ltd, to jointly develop a substantial project in Xi'an.

All these projects are strategically located in the second-and-third-tier cities where urbanization of those cities has huge effect to drive economic growth and to capture the growth opportunities in these regions. Our Nanning project aims to serve the Northern Bay region which includes most of the ASEAN countries; the Nanchang project is strategically located to serve the Long River Delta and Pan Pearl River Delta regions as more and more manufacturers in coastal areas are moving inland to Central China; whilst the Xi'an project is the focus of a government-led development plan for Western China. We expect these projects will develop into major growth drivers for the Group in the coming years.

Prospects

Looking ahead, we expect the rapid development and expansion of our business to continue in the coming few years. We remain as optimistic as ever about the leasing and sales of the trade centers as well as the supporting facilities of CSC Shenzhen and those of the new projects. The Group will actively deploy its resources to build a bigger business platform and diversify property portfolio to drive a sustainable growth. We aim to move forward and grow on a more nationwide scale.

Lastly, on behalf of the Board, I would like to express my sincere gratitude to all shareholders, customers and business partners for their trust and unwavering support and to the management and staff for their professionalism and dedication.

Cheng Chung Hing
Co-Chairman & Executive Director

Hong Kong, 13 July 2010

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The business operating environment in the beginning of last year remained challenging in the wake of the global financial crisis. As a result of the Chinese government's RMB4 trillion stimulus package as well as a more loose monetary policy, the overall market in China started to resume its growth trend in the second half of the year. In response to the improving market sentiments, we launched our Phase Two trade center units in CSC Shenzhen for sale and for lease which bring along significant growth in sales of properties for the Group for the year under review.

Last fiscal year was a fruitful year in the development of China South City where we have recorded significant growth in operations and have made remarkable breakthrough in our new projects to replicate the proven business model of CSC Shenzhen to develop and operate large-scale integrated logistics and trade centers across China.

China South City Shenzhen

Located at Pinghu Shenzhen, China, as the first large-scale integrated logistics and trade center launched by the Group, CSC Shenzhen with a total construction site area of approximately 1.06 million square meters, with a total planned gross floor area of approximately 2.6 million square meters. The project will be constructed in phases. In the fiscal year under review, construction of a total gross floor area of approximately 727,000 square meters of Trade Plaza One and Trade Plaza Two of the Phase Two was completed. As at 31 March 2010, approximately 1,376,000 square meters of trade center units and ancillary facilities in Phase One and Phase Two were in operation.

As at 31 March 2010, the total occupancy rate of our Phase One trade center was about 82%, while Phase Two's Trade Plaza One and Trade Plaza Two have leased about 25% of the total rentable areas launched in June 2010. The average effective monthly rental rates for Phase One and Phase Two trade centers were approximately HK$28 and HK$34 per square meter respectively.

For the year under review, we captured the economic recovery trend and launched for sale of the trade center units of Phase Two's Trade Plaza One and Trade Plaza Two which was the key contributors to the Group's revenue. During the year, CSC Shenzhen has entered into sales contracts and letters of intent for about 110,000 square meters of Phase Two's trade center units while approximately 98,000 square meters with an average selling price of approximately HK$15,000 per square meter are contracted for and booked in the income statement for the year under review. These generated sales of HK$1,408.1 million for the Group, representing a growth of approximately 20 times over last year.

Phase One of CSC Shenzhen currently houses suppliers of five major light industries, namely Textile and Clothing, Leather and Accessories, Electronics and Accessories, Printing, Paper and Packaging, and Metals, Chemicals and Plastics. With the completion of Phase Two Trade Plaza One and Trade Plaza Two, to strengthen CSC Shenzhen's position as a large-scale integrated logistics and trade center, CSC Shenzhen extends its product span from industrial raw materials to finished products and commodities. Currently, the product categories of related industries which have been introduced include apparel, bedding, curtain, handbags and accessories and footwear. Furthermore, small goods and electronic gadgets such as clocks and watches have also been added to Phase Two trade centers to broaden their trading product scopes.

For the coming two years, CSC Shenzhen plans to develop the following properties:

Properties	**Approximate Gross Floor Area** *(square meters)*
Trade centers	340,000
Commercial and other supporting facilities	160,000
Total	500,000

Industrial Fair

The Group co-organized the first and the second China (Shenzhen) International Industrial Fair (CIIF) held in October 2009 and April 2010 respectively, with China Council for Promotion of International Trade, China Chamber of International Commerce and Shenzhen Municipal People's Government. The two events were held for four consecutive days at CSC Shenzhen, attracting 82,000 and 103,000 visitors attended the first and the second CIIF respectively. Approximately 1,090 and 1,200 enterprises and organizations from local and overseas participated in the first and the second CIIF. The exhibition areas of the second CIIF increased by 20% to 72,000 square meters compared to 60,000 square meters in the first CIIF. Bigger and better, the second CIIF showcased hundreds of thousands types of products and raw materials from exhibitors.

Held in spring and autumn each year, the CIIF is expected to help enhance the reputation of the Group and boost both traffic and business at the trade centers. We are committed to launching innovative promotions regularly to help suppliers, manufacturers and distributors grow their business by providing them the venue and top notch facilities necessary for them.

China South City Nanning

Located in Nanning, Guangxi Zhang Autonomous Region, China, according to the project plan, CSC Nanning is expected to occupy a construction site area of approximately 1,830,000 square meters. Construction of the project will be carried out in phases and the Phase One's construction has commenced in October 2009. According to the construction plan, CSC Nanning will have a total gross floor areas of approximately 4,880,000 square meters upon completion which includes trade centers, integrated logistics and warehousing facilities, integrated commercial facilities, integrated residential facilities and car parks.

In October 2009, CSC Nanning has acquired a plot of land in Nanning, with a construction site area and planned gross floor areas of approximately 890,000 square meters and 2,397,000 square meters, respectively. This plot of land obtained is located on a site surrounded by 江南區沙井大道、富樂西路、定津路及新村大道, with aggregate consideration of approximately RMB351.3 million.

For the project as a whole, the Group intends to sell all residential properties while selling not more than 50% of the gross floor areas of the trade centers to bring in cash flow to finance the project's development as well as contribute to the Group's operating profit. The remaining gross floor areas of the trade centers will be held for long term investment. For the coming two years, CSC Nanning plans to develop the following properties:

Properties	**Approximate Gross Floor Area** *(square meters)*
Trade centers	470,000
Residential facilities	340,000
Commercial and other supporting facilities	520,000
Total	1,330,000

Served by the extensive transportation network in the Nanning City, CSC Nanning geographically is in close proximity of Southeast Asia. It will be developed into a modern large-scale integrated industrial materials and commodity trade centers with Northern Bay Region and Southeast Asia as its key markets. With the establishment of China-ASEAN Free Trade Area (ACFTA) which came into effect in January 2010, tariffs for 93% of 7,000 kinds of products have been waived to boost cross border trade. We expect this will be beneficial to the development of CSC Nanning.

China South City Nanchang

Located in Nanchang, Jiangxi Province, China, according to the project plan, CSC Nanchang is expected to have a construction site area of approximately 1,550,000 square meters. Construction work will be carried out by phases and Phase One construction has been started in January 2010. According to the construction plan, CSC Nanchang will have a total gross floor area of approximately 4,280,000 square meters upon completion, including trade centers, integrated logistics and warehousing facilities, integrated commercial facilities, integrated residential facilities and car parks.

CSC Nanchang has acquired a plot of land in Nanchang in December 2009, which is located at 紅谷灘新區九龍湖片區 with a construction site area and planned gross floor areas of approximately 1,050,000 square meters and 2,482,000 square meters, respectively. The aggregate consideration for the land is RMB555.4 million.

For the project as a whole, the Group intends to sell all residential properties while selling not more than 50% of the gross floor areas of the trade centers to bring in cash flow to finance the project's development as well as contribute to the Group's operating profit. The remaining gross floor areas of the trade centers will be held for long term investment. For the coming two years, CSC Nanchang plans to develop the following properties:

Properties	**Approximate Gross Floor Area** *(square meters)*
Trade centers	430,000
Residential facilities	300,000
Commercial and other supporting facilities	190,000
Total	920,000

Served by the extensive transportation network in the Nanchang City, CSC Nanchang is strategically located to serve the Long River Delta and Pan Pearl River Delta regions where benefits will be brought about as more and more manufacturers in coastal areas are moving inland to Central China.

China South City Heyuan

Located in Heyuan, Guangdong Province, China, Phase One development of CSC Heyuan is expected to include supporting commercial facilities and residential facilities. In June 2009, a plot of land with construction site area of approximately 487,000 square meters was acquired. The aggregate consideration paid for the land is approximately RMB73 million. Construction has been started and is expected to complete approximately 260,000 square meters in the coming two years.

China South City Xi'an

In June 2009, China South International Industrial Materials City (Shenzhen) Company Limited ("China South International"), a wholly owned subsidiary of the Group, entered into a memorandum of understanding with the Xi'an International Trade and Logistics Park Management Committee for the development of a large-scale integrated logistics and trade center project in the Xi'an International Trade and Logistics Park. In November 2009, the Xi'an International Trade and Logistics Park Management Committee, China South International, Xin Hao Da (Hong Kong) Holding Co. Ltd. ("Xin Hao Da") and Xi'an Government entered into a project agreement for the Xi'an project. Pursuant to the project agreement, China South International and Xin Hao Da will form a joint venture company, which is owned as to 65% and 35% by them, respectively.

According to the signed project agreement, the CSC Xi'an covers a planned total site area of approximately 10 square kilometers. The Group plans to undertake the construction in phases. The construction of an integrated logistics and trade center will take up five square kilometers while the other five square kilometers will be used for the construction of complexes for residential and commercial uses as well as ancillary facilities.

The development of the Xi'an project provides an excellent opportunity for the Group to extend its geographical reach to strategic locations in the northwest of the China. The efforts of the central government to strategically develop the northwest of China in the past 10 years lay a good foundation for the regions to take-off in its rapid economic growth, which forms a beneficial environment for the development of CSC Xi'an.

Outlook

In the coming two years, China South City will continue to deploy its resources to deliver its expansion plans across the country. As a summary, the table below shows the Group's construction plan in the coming two years:

	Approximate Gross Floor Areas (square meters)				
	CSC Shenzhen	**CSC Nanning**	**CSC Nanchang**	**CSC Heyuan**	**Total**
Trade centers	340,000	470,000	430,000	—	1,240,000
Residential Facilities	—	340,000	300,000	260,000	900,000
Commercial and other supporting facilities	160,000	520,000	190,000	—	870,000
Total	**500,000**	**1,330,000**	**920,000**	**260,000**	**3,010,000**

Looking forward, with the continuous efforts of marketing and further development of the CSC Shenzhen, together with the contributions of various new projects in Heyuan, Nanning, Nanchang and Xi'an, we are confident to strive for a nationwide, diversified and sustainable growth in the future.

Financial Review

The Group reported a strong growth in its financial performance for the year ended 31 March 2010, with revenue growth of 599.7% to HK$1,570.2 million from last year (2009: HK$224.4 million), and profit for the year growth for the year of 76.2% to HK$1,327.6 million (2009: HK$753.6 million). Excluding the effect of gains or losses on fair value of our investment properties and related tax effect, profit for the year as adjusted increased by 483.8% to HK$408.7 million (2009: loss of HK$106.5 million). Basic earnings per share increased sharply to HK25.32 cents (2009: HK16.76 cents). Net cash inflow from operation during the year increased substantially by 1,144.6% to HK$894.2 million (2009: HK$71.8 million).

Revenue

Revenue increased by 599.7% to HK$1,570.2 million (2009: HK$224.4 million). The increase was mainly due to a significant increase in sales of trade center units at CSC Shenzhen Phase Two Trade Plaza One and Trade Plaza Two during the year.

(After deduction of business tax)	**2010**	2009	**Change**
	HK$'000	*HK$'000*	*%*
Sale of properties	1,408,108	67,758	1,978.1
Rental income	101,277	100,167	1.1
Finance lease income	11,245	9,913	13.4
Hotel income	22,930	25,505	(10.1)
Property management service income	24,523	20,426	20.1
Other fee income	2,146	630	240.6

Revenue from Sales of Properties

Revenue from sales of properties increased by 1,978.1% to HK$1,408.1 million (2009: HK$67.8 million). The increase was mainly due to our change in operation strategy to increase the saleable area at CSC Shenzhen Phase Two Trade Plaza One and Trade Plaza Two in order to increase the cash earning of the Group.

During the year, the Group sold approximately 98,000 square meters, significantly higher than the 4,850 square meters sold in the previous year. Average selling price per square meter was approximately HK$15,000 (2009: approximately HK$14,700).

Rental Income

Rental income was slightly increased by 1.1% to HK$101.3 million (2009: HK$100.2 million). The increase was primarily due to recognition of rental income from CSC Shenzhen Phase Two Trade Plaza One and Trade Plaza Two after their completion during the year.

Occupancy at CSC Shenzhen has recovered from its low levels during the financial crisis driven by strong demand for large-scale integrated logistics and trade center facilities and the growing profile of China South City.

As at 31 March 2010, the total occupancy rate of our Phase One trade center was 82%, while the leasing for Phase Two Trade Plaza One and Trade Plaza Two was about 25% of the launched area in June 2010. The average effective monthly rental rates for Phase One and Phase Two trade centers were approximately HK$28 and HK$34 per square meter respectively.

Property Management Services Income

Income from property management rose 20.1% to HK$24.5 million (2009: HK$20.4 million). The increase was mainly due to the commencement of leasing of CSC Shenzhen Phase Two Trade Plaza One and Trade Plaza Two during the year, which represented a new income stream. With the gradual completion of other buildings at CSC Shenzhen Phase Two, the management believes more units available for lease will have positive impact on revenue contribution in the future.

Cost of Sales

Cost of sales of the Group mainly includes construction cost of properties sold and rental expenses. Cost of sales increased by 282.4% to HK$587.5 million for the year ended 31 March 2010 (2009: HK$153.6 million). The increase was mainly due to a sharp increase in the number of properties sold during the year, thus resulting in higher costs.

Gross Profit

Gross profit increased by 1,288.8% to HK$982.7 million (2009: HK$70.8 million). Gross profit margin for the year was much higher, at 62.6% (2009: 31.5%). The increase in gross profit margin was attributable to an increase in the share of revenue from sale of Phase Two trade center units in total revenue for the year, while revenue from sales of trade center units enjoyed a relatively higher gross margin of 70% when compared to the Group's other revenues.

Other Income

For the year ended 31 March 2010, other income increased by 688.6% to HK$150.4 million (2009: HK$19.1 million) primarily as a result of the restructuring and buy back of interest-bearing notes by the Group with the interest-bearing note holders during the year which contributed approximately HK$136.7 million to the Group as other income.

Fair Value Gains On Investment Properties

During the year, the fair value gains on investment properties increased by 13.4% to HK$1,308.5 million (2009: HK$1,153.9 million). The increase was mainly due to the recognition of the fair value of CSC Shenzhen Phase Two Trade Plaza One, after deduction of construction cost, following the completion of its construction during the year.

Selling and Distribution Costs

Selling and distribution costs decreased by 6.7% to HK$83.6 million (2009: HK$89.5 million). The decrease was mainly due to relatively higher advertising expenses incurred from the intense media campaigns last year to promote CSC Shenzhen Phase Two Trade Plaza One and Trade Plaza Two at their initial launch at that time. As those campaigns have achieved good results, promotion expenses for the year were reduced accordingly.

Administrative Expenses

Administrative expenses increased by 71.8% to HK$187.7 million (2009: HK$109.2 million). The increase was mainly attributable to the IPO expenses and performance bonuses for management which were recognized during the year, as well as an increase in administrative expenses upon the commencement of operation at CSC Shenzhen Phase Two Trade Plaza One and Trade Plaza Two, and of the project companies in Nanchang, Nanning, Xi'an and Heyuan.

Finance Costs

Finance costs were up by 383.3% to HK$33.0 million (2009: HK$6.8 million). The increase was mainly attributable to an increase in new bank loans for working capital purposes.

Tax

Tax expenses increased by 188.6% to HK$785.3 million (2009: HK$272.2 million). The difference in tax expenses was mainly the result of increases in both current and deferred tax expenses during the year. As sales revenue increased, both the provision for land appreciation tax and income tax were higher during the year as compared with the last year. As a result of newly recognized fair value gains of our investment properties during the year, a deferred tax expense of HK$327.1 million (2009: HK$288.5 million) was recorded.

Investment Properties

The value of investment properties increased by 38.7% to HK$9,077.3 million (2009: HK$6,543.8 million). It was mainly due to the completion of CSC Shenzhen Phase Two Trade Plaza One, and recognition of its fair value during the year.

Properties Under Development

The value of properties under development increased by 40.9% to HK$1,978.8 million (2009: 1,404.6 million). Costs for properties under development were higher than last year as a result of the ongoing construction of CSC Shenzhen supporting facilities such as office buildings, commercial facilities and supporting residential facilities, as well as the acquisition of land for the projects in Nanchang, Nanning and Heyuan where construction is underway.

Trade Receivables

Trade receivables increased by 817.2% to HK$234.2 million (2009: HK$25.5 million). It was mainly because the significant increases in the sale of trade center units of CSC Shenzhen Phase Two Trade Plaza One and Trade Plaza Two in the year under review. As at 31 March 2010, most of the outstanding balance of trade receivables is applying for mortgage by the trade center unit purchasers and the Group believes that risk of collectability is low.

Interest-Bearing Notes

During the year, the interest-bearing notes were restructured between the Group and interest-bearing note holders, which resulted in a restructuring gain by the Group. Furthermore, the Group entered into agreements with certain interest-bearing note holders to buy back a portion of the interest-bearing notes at a price lower than their book value. On 30 September 2009 (the IPO date of the Company), the Group redeemed the remaining outstanding portion of the interest-bearing notes from the interest-bearing note holders in accordance with the terms. Details are disclosed in the audited financial statements.

Due to Shareholders

The amount due to shareholders was capitalized on 30 September 2009 (the IPO date of the Company). Details are disclosed in the audited financial statements.

LIQUIDITY AND FINANCIAL RESOURCES

The Group finances its operations primarily through internally generated funds, bank loans and IPO proceeds.

Borrowing and Charges on the Group's assets

The Group had HK$3,703.0 million in cash and cash equivalents (2009: HK$246.1 million) and HK$4,202.7 million in bank loans, bills payable and interest-bearing notes (2009: HK$2,522.5 million). Details of the maturity profile, currency and interest rate structure of the Group's bank loans are disclosed in audited financial statements. The gearing ratio of the Group was 6% (net debt divided by total equity) as at 31 March 2010, which was significantly reduced from 51% as at 31 March 2009. Furthermore, as at 31 March 2010, the Group had unutilized banking facilities of approximately RMB 1,750.0 million. The Group will deploy the unutilized banking facilities as appropriate depending on project development needs and working capital status.

As at 31 March 2010, the Group had pledged buildings, hotel properties, investment properties, properties under development, leasehold land and properties held for sale to the value of approximately HK$9,260.1 million, to secure loans from various banks.

Net Current Assets and Current ratio

As at 31 March 2010, the Group had net current assets of HK$2,066.9 million (2009: net current liabilities of HK$642.3 million). Current ratio increased to 1.7 (2009: 0.6).

Contingent Liabilities

The Group has provided guarantees in respect of banking facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's trade centers and bank loans entered into by lessees of the Group's residential properties. As at 31 March 2010, the guarantees amounted to HK$217.9 million (2009: HK$95.9 million). The guarantees granted to purchasers will be released when the purchasers obtain the building ownership certificate which will then be pledged with the banks. For leased residential properties, the guarantees will be released accordingly along with the repayment of loan principals by the lessees.

Capital Commitment

As at 31 March 2010, the Group had future capital expenditure contracted but not yet provided for of HK$48.9 million (2009: HK$399.8 million), and authorized but not yet contracted for of HK$5,641.4 million (2009: Nil).

Foreign Exchange Risk

The Group conducts its business mainly in Renminbi, along with our income and expenses, assets and liabilities. The management considers the fluctuation of Renminbi does not have significant impact on the Group's operation. The Group has not issued any financial instruments for hedging purposes.

Acquisitions and disposals of subsidiaries and associated companies

The Group has no material acquisition and disposal of subsidiary and associated company in the financial year.

Restriction on Sales

Pursuant to several land grant contracts entered by China South International, the saleable gross floor area of properties of CSC Shenzhen built on these parcels of land is limited to 30% of the total gross floor area that can be built. The Group holds and constructs the properties with sales restriction for leases and for self use.

Pursuant to the land grant contracts entered by CSC Nanchang and CSC Nanning, respectively, the saleable gross floor area of trade centres and storage built on these parcels of land of these projects are limited to 60% of the total gross floor area that is built for such purpose. This restriction does not apply to the properties that are build for residential, commercial and other uses. Despite the restriction, the Group plans to hold not less than 50% of the total gross floor area of such properties for leasing. Management considers the Group can be benefited by maximising this optimal mix between properties held for sales and for investments.

Human Resources

As at 31 March 2010, the Group had a workforce of approximately 1,200 people, including approximately 1,000 people directly employed under the Group and approximately 200 people employed under our jointly-controlled entities. The Group aims to recruit, retain and develop competent individuals committed to its long-term success and growth. Remunerations and other benefits of employees are reviewed annually both in response to market conditions and trends, and based on qualifications, experience, responsibilities and performance. In addition to basic salaries and other staff benefits, discretionary bonus and share options may be awarded to employees with outstanding performance and contribution to the Group. As at 31 March 2010, no option has been granted under the Share Option Scheme.

CODE ON CORPORATE GOVERNANCE PRACTICES

To the best knowledge and belief of the directors of the Company, the Company has complied with the applicable code of provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the period from 30 September 2009, being the date of listing of the Company (the "IPO Date") to 31 March 2010, except for the CG Code provision A.2.1.

Code Provision A.2.1

Code provision A.2.1 of the Code stipulates that the roles of the chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. As at 30 September 2009 (the IPO Date), no CEO was appointed, but the Company appointed Mr. Leung Moon Lam, Executive Director of the Company, as CEO on 30 November 2009.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as the guidelines for the directors' dealing in the securities of the Company. Upon specific enquiries of all the Directors, each of them confirmed that they have complied with the required standards set out in the Model Code during the period from the listing date of the Company, 30 September 2009 to 31 March 2010 in relation to the securities dealings, if any.

AUDIT COMMITTEE

The Company has established an audit committee on 4 September 2009 and has formulated its written terms of reference in accordance with the provisions set out in the CG Code. The audit committee comprises of three independent non-executive directors, namely Mr. Li Wai Keung (chairman of audit committee), Mr. Shi Wan Peng and Mr. Leung Kwan Yuen Andrew. The principal duties of the audit committee include the review and supervision of the Group's financial reporting system and internal control procedures, review of the Group's financial information and review of the relationship with the external auditor of the Company.

The audit committee has reviewed the audited financial statements of the Group for the year ended 31 March 2010.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the year ended 31 March 2010, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

ANNUAL GENERAL MEETING

The 2010 Annual General Meeting of the shareholders of the Company will be held at the Aberdeen Room, 3/F., JW Marriot Hotel Hong Kong, 88 Queensway, Pacific Place, Hong Kong on Monday, 30 August 2010, at 2: 30 p.m. and the Notice of Annual General Meeting will be published and dispatched to the shareholders in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 25 August 2010 to Monday, 30 August 2010, both days inclusive, during the period no transfer of shares will be effected. In order to qualify for the proposed final dividend and determine the entitlement to attend and vote at the 2010 Annual General Meeting, all completed transfer forms with relevant share certificates must be lodged with the Company's Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4: 30 p.m. on Tuesday, 24 August 2010.

For and on behalf of the Board
China South City Holdings Limited
Cheng Chung Hing
Co-Chairman & Executive Director

Hong Kong, 13 July 2010

As at the date of this announcement, the executive Directors are Mr. Cheng Chung Hing, Mr. Leung Moon Lam and Professor Xu Yang; the non-executive Directors are Dr. Ma Kai Cheung, SBS, BBS, Mr. Sun Kai Lit Cliff, BBS, JP, Dr. Ma Wai Mo and Mr. Cheng Tai Po; and the independent non-executive Directors are Mr. Shi Wan Peng, Mr. Leung Kwan Yuen Andrew, SBS, JP and Mr. Li Wai Keung.